

Message Text

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43

ACTION TRSE-00

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P R 211335Z JUN 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 4015

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 4527

PASS TREASURY OASIA (FRED LEVY)

E.O.11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: BRAZIL'S EXPORT INCENTIVE SYSTEM TO REMAIN UNCHANGED

REF: BRASILIA 4267

1. THE ECONOMIC DEVELOPMENT COUNCIL, IN ITS MEETING OF JUNE 19, 1974, REAFFIRMED BRAZIL'S INTENTION TO MAINTAIN THE PRESENT EXPORT INCENTIVE SYSTEM. A STATEMENT ISSUED AFTER THE MEETING NOTED THAT THE OBJECTIVE OF THE COUNCIL'S DECISION WAS (A) TO ASSURE THAT, WITH THE HELOP OF EXPORT INCENTIVES, THE EXPORT TARGET FOR THIS YEAR (WHICH THE GOVERNMENT HAS SET AT \$8 BILLION) WOULD BE MET AND (B) TO REASSERT THE GOVERNMENT'S INTENTION TO SUPPORT EXPORTERS IN MEETING "EVENTUAL PROTECTIONIST OBSTACLES IN DEVELOPED COUNTRIES, BY OFFICIAL MULTILATERAL OR BELATERAL ACTIONS OR BY THE ADOPTION OF MEASURES OR UNDERTAKINGS OF NEGOTIATIONS ON A CASE BY CASE BASIS." (NO SPECIFIC MENTION WAS MADE OF THE U.S. COUNTERVAILING SHOE PROBLEM.) THIS WAS THE ONLY SUBSTANTIVE DECISION TAKEN AT THIS COUNCIL MEETING. THE OTHER ITEM ON THE AGENDA WAS A BRIEFING BY MINISTER SIMONSEN ON HIS TRIP TO WASHINGTON FOR THE C-20 MEETING.

2. COMMENT: THE COUNCIL'S DECISION SEEMS TO CONFIRM THE
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INTERPRETATION PROVIDED IN REFTEL WITH REGARD TO SIMONSEN'S

COMMENTS TO SECRETARY SIMON ON CHANGES IN BRAZIL'S EXPORT INCENTIVE SYSTEM. ONE OF MINISTER VELLOSO'S ECONOMIC ADVISORS (MAGALHAES) TOLD TREASURY REP THAT MAIN PURPOSE OF THE LATEST MOVE BY THE COUNCIL WAS TO PUT TO REST SPECULATIONS THAT THE GOVERNMENT WAS ABOUT TO CHANGE THE EXPORT INCENTIVE SYSTEM. BELIEVING THAT THESE INCENTIVES MIGHT BE DECREASED IN LIGHT OF THE U.S. COUNTERVAILING DUTY INVESTIGATION, EXPORTERS HAD BECOME CONCERNED AND WERE PRESSING THE GOVERNMENT FOR A CLARIFICATION. MAGALHAES REAFFIRMED THAT THE EXPORT INCENTIVE SYSTEM IS CURRENTLY UNDER STUDY AND THAT IT MAY AT SOME FUTURE DATE BE CHANGED. (HE SAID THERE WAS NO FORMAL DEBATE AT THE COUNCIL MEETING ON THE MERITS OF THE PRESENT SYSTEM.) HE OPINED, HOWEVER, THAT IT IS MOST UNLIKELY THAT ANY CHANGES WILL BE ANNOUNCED BEFORE THE LATTER PART OF THE YEAR.

CRIMMINS

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